



INTERNAL AUDIT SUBSTANTIVE TESTING PURCHASING CARDS

September 2, 2003

Roanoke City Council Audit Committee
Roanoke, Virginia

We have completed our audit of purchasing card transactions. Our audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

In early 2001, the city began to use purchasing cards for small dollar purchases in an effort to reduce the number of checks printed and the related costs and to make it easier for employees to purchase small dollar items. In June 2002, Municipal Auditing completed a controls evaluation audit in which we examined the overall system of controls, policies and procedures in place for purchasing cards, as well as the transactions made with purchasing cards.

City issued purchasing cards are accepted anywhere that VISA is accepted and are generally used for purchases of up to \$2,500 per transaction and \$15,000 per month. Departments can request an adjustment up or down on these limits if they can justify the need to do so. The volume of transactions varies monthly, however, in an average month approximately 2,100 transactions are made using purchasing cards for a total of approximately \$450,000. There are 372 active purchasing cards used by approximately 50 departments. The Departments of Finance and Purchasing administer the program.

Monthly, the Department of Finance downloads a "bill" from MBNA, which details each transaction that posted in the month. Finance then divides up the bill by department, sends a spreadsheet file to each, and requires the departments to insert account codes for each transaction. In addition to the spreadsheet file, each department receives a paper statement directly from MBNA. Once they receive this statement, departments are required to reconcile their receipts to the statement and forward it with all receipts to Finance. If the department does not have a receipt for a purchase, they must fill out an affidavit stating the purchase was valid and return it with the statement. The statement must then be signed by the department manager and forwarded to Finance.

PURPOSE

The purpose of this audit was to evaluate the following in respect to purchasing cards:

- Reasonableness of purchases
- Compliance with established policies and procedures
- Existence of assets purchased

SCOPE

Our audit focused on procedures in place as of March 31, 2003 and transactions occurring from September 1, 2002 through March 31, 2003.

METHODOLOGY

We reviewed 14,940 purchasing card transactions totaling over \$3.1 million. We browsed the transactions to gain an understanding of general purchasing trends. We looked for unusual vendors based on the card used, amounts close to established single transaction limits, and purchases at prohibited vendors. We developed samples on an interval basis to determine if proper management approval of purchases was occurring, if users were complying with established spending limits, and if adequate documentation was on file for purchases. We also used ACL software to identify any payments made for the same good or service on both a purchasing card and a payment voucher (check). We developed a sample of attractive assets and verified their existence through site visits in various departments.

RESULTS

We developed a sample of purchases and noted that adequate documentation was on file for all purchases. We developed a sample of single purchases and monthly purchases over standard established limits and determined that all users who exceeded the standard limits were authorized to do so.

We sorted all 14,940 transactions in a spreadsheet in various ways to determine if purchasing card and city policies and procedures were complied with and if any unusual purchases existed. We questioned users about particular transactions and did not note any unreasonable purchases. We specifically looked at purchases made by ten department managers and directors and did not note any unreasonable purchases.

We used ACL software to identify any duplicate payments made with a purchasing card and on a payment voucher. We did not note any duplicate payments. We developed a sample of assets which would be attractive to purchase for personal use and were able to locate all through site visits in several city departments.

We discussed issues with management which did not warrant reporting due to the isolated nature of their occurrence.

CONCLUSION

Based on the results of our audit work, we conclude that purchases appear reasonable, established policies and procedures have been complied with, and assets purchased with purchasing cards were retained within the departments making the purchase.

We want to thank the Department of Finance and those departments subjected to testing for their cooperation and assistance during this audit.

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